

CENTRAL INTELLIGENCE AGENCY

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1. The economic situation in Slovakia reportedly leaves much to be desired, because of ill-will on the part of workers and employees, sabotage, dependence on the Prague government (which issues orders inapplicable to Slovak conditions), and a general lack of discipline.
2. The last defect results in a loss to the state in every nationalized concern, since the Slovak interpretation of the system by which each state-operated enterprise covers its working expenses and pays any surplus into a sinking fund, is to set aside the absolute minimum and line the pockets of directors, employees, and workers, each according to his opportunities for theft, with the remainder of the actual profit.
3. Equipment and machinery are at present in fairly good condition, but there is a lack of raw materials, which often results in enforced reduction of working hours. Some of the Slovak factories, Dubnica for example, are working exclusively for the Army, which is reorganizing its equipment, while 25 percent are engaged in the manufacture of goods for the USSR. The raw materials supplied by the USSR for processing are of excellent quality, but the quantities are so carefully checked that there is nothing left over for the Slovak home market.
4. Any consignments of goods to the USSR which are not up to standard are rejected at the frontier and are subject to heavy fines, which have to be paid by the manufacturers themselves, who are also liable to punishment by the Slovak authorities. On the other hand, factories catering to the Slovak home market have no right to refuse any raw material supplied by the USSR, however inferior in quality. Soviet deliveries are generally composed of 20 percent first-class quality, 25 percent second-quality, 15 or 20 percent of third quality, and the remainder of a very low grade.
5. In trade talks with her satellites Russia adopts the methods already familiar to the rest of the world. Once Czech delegation sent to Moscow to draw up a business contract was met by a collection of tradesmen, mostly Armenians, Jews, and Volga Russians, who remained unimpressed by the Czechs' enthusiastic speeches about Slav brotherhood and offered them such unfavorable terms that the Czechs were obliged to appeal to Mikoyan to intervene on their behalf.
6. In September a Slovak commercial delegation, sent to Moscow to discuss a relatively unimportant contract, came back after a stay of seven weeks without having arrived at any agreement. They had been very well received and lavishly enter-

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tained with alcohol but were followed everywhere, and only three of them had managed to get permission to visit Leningrad, where two of them had children. After days of complete neglect they were suddenly called for a conference at two o'clock in the morning, at which nothing was settled. During the ensuing days of enforced inaction they were not even allowed to visit the environs of Moscow. During this time they fell in with a Rumanian delegation which had been there for three months without having made any progress at all.

7. The Soviets are carrying out a program of exploitation of Slovak industries by buying their products at very low prices and selling them abroad as goods of Soviet manufacture. Goods resold at a profit recently included machinery of Manet manufacture, re-exported to Argentina; medical instruments to Iran, the Near East, and possibly Turkey; and hops, malt, and clover seeds to various overseas markets.
8. The director of Koosport recently protested to the Soviets that this policy was robbing Czechoslovakia of foreign currency. The Soviets rejected the protest and had a statement issued by the Director of the Soviet Commission to the effect that such a policy was necessary to the success of the USSR's task of gaining the world's confidence. Two weeks later, the director of Koosport was replaced without explanation.

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